

Service Date: October 27, 1981

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * *

IN THE MATTER of the Application of)	
the MOUNTAIN STATES TELEPHONE AND)	UTILITY DIVISION
TELEGRAPH COMPANY (MOUNTAIN BELL))	
for authority to establish new rates)	DOCKET NO. 80.10.79
and for approval of tariff changes)	
in connection with its comprehensive)	ORDER NO. 4839a
rural telephone improvement program.)	

ORDER UPON MOTION FOR RECONSIDERATION

FINDINGS OF FACT

1. On September 23, 1981, the Montana Public Service Commission issued Order No. 4839 in Docket No. 80.10.79 - Mountain Bell's application for authority to implement the Rural Telephone Improvement Program.
2. On October 6, 1981 the Company filed its Motion for Reconsideration and Integrated Memorandum in response to Commission Order No. 4839. The motion asked for reconsideration in two areas:
 - 1) Development of Generic Cost and Rate
Design Methodologies, and
 - 2) Zone Construction Charges

DEVELOPMENT OF GENERIC COST AND RATE DESIGN METHODOLOGIES

3. In regards to the development of generic cost and rate design methodologies the Company requested the Commission to modify Order No. 4839 by:

- 1) Directing Mountain Bell, the Montana Consumer Counsel and the Staff of mutually acceptable recommendations to the Commission concerning cost tracking and rate design methodologies in connection with implementation of the Rural Telephone Improvement Program;
- 2) Directing Mountain Bell to advise the Commission as to the progress of said meetings through the established reporting vehicle of the bimonthly status reports;
- 3) Directing the Staff of the Commission to initiate a Generic Cost Tracking and Rate Design Docket no later than March 15, 1982, and to set hearings associated therewith in a timely fashion so that the Commission will be able to issue its Order therein no later than September 1, 1982;
- 4) Directing Mountain Bell to submit to the Commission the costs associated with each year's construction effort as soon as practical following the close of said construction season, and concurrently, to file rates designed to recover said costs; such costs and rates are to be in accordance with the Commission directed generic methodologies;
- 5) Directing Mountain Bell to, within 45 days subsequent to said filing, implement rates consistent with the predetermined methodologies.

4. The Commission finds merit in the Company's proposed modifications listed above. While Order No. 4839 provided the initial impetus to set the RTIP in motion it fell short of providing sufficient detail as regards the administrative procedure by which the program is to be implemented

5. The Commission has interpreted the Company's motion as a request to establish two separate generic proceedings in order to accomplish two separate distinct objectives. The initial proceeding will establish and set forth the methodology to be employed in tracking the costs associated with the RTIP. Subsequent proceedings (initiated immediately following each construction season) will provide for the determination of the extent to which the Company has complied with Commission approved tracking methods, and provide for an expedient granting of rates sufficient to cover claimed expenses. Such a granting will be forth coming only given the absence of compelling testimony arguing against such an expedited granting of rates.

6. In responding to the Company's first request the Commission will set the dates for a series of three-way meetings among the Commission staff, the staff of the

Montana Consumer Counsel and the Company. The first of these meetings, which are intended to provide input to the appropriate tracking method, is herein tentatively set for November 17, 1981. Subsequent meeting dates will be set to accommodate the individual parties' calendars and as the need arises.

7. The Company will keep the Commission abreast of the results of the three-way meetings along with the information called for in order paragraph 2 of Order No. 4839 by submitting a series of bimonthly status reports.

8. As regards the Company's third request, the Commission concurs that the import of the appropriate tracking method warrants a public hearing. The Company has suggested establishing a Generic Cost Tracking and Rate Design Docket no later than March 15, 1982. The Company has also informally indicated its intention of filing a general rate case early in 1982. The Commission strongly recommends the Company consider filing its proposed tracking method in conjunction with the general rate case filing. Consolidating issues in this manner will facilitate scheduling, allow Consumer Counsel witnesses to examine the issues in a comprehensive manner, prevent further crowding of an already overly crowded Commission calendar, and provide adequate time in which to reach a decision well before the end of the first construction season.

9. Once the appropriate cost tracking methods have been established the Commission will schedule public hearings to coincide with the end of the construction season. The purpose of these hearings will be to determine the extent to which the Company has complied with the Commission's direction in tracking methodology and to examine the extent to which new state-of the-art plant has been installed in a least-cost manner. While there is nothing to prohibit the Company from filing new rates when filing for increased annual revenues, the final rate design will remain within the purview of the Commission. In the absence of compelling evidence demonstrating the unreasonableness of increased rates, rate relief will be granted by the Commission within 45 days of the date of hearing the issue, such rates to be implemented if not on a permanent basis at least on a temporary basis.

ZONE CONSTRUCTION CHARGES

10. In Finding of Fact No. 223, Order No. 4786b the Commission established a zoned exchange concept utilizing three zones beyond the Base Rate Area. Recurring zone increment charges were then used in lieu of mileage charges.

11. In Finding of Fact No. 67 in Order No. 4839 the Commission accepted the Company's original proposal for Zone Construction Charges. That proposal provided for at least eight construction zones beyond the Base Rate Area.

12. In order to facilitate administration of the RTIP and to prevent customer confusion the Company has requested the Commission to prepare an order directing Mountain Bell to prepare and file with the Commission new Zone Construction Charge Tariffs consistent with Commission Order 4839, yet applying, the three zone concept in place of the multi-zone approach embodied in the initial filing.

13. After examining the proposed construction charges for the three zone method the Commission finds this request meritorious and directs the Company to establish Construction Zones on the three-zone basis used for Zone Increment Charges.

CONCLUSIONS OF LAW

1. Applicant, Mountain States Telephone and Telegraph Company is a corporation providing telephone and other communications services within the state of Montana and as such is a "public utility" within the meaning of Section 69-3-101, MCA.

2. The Montana Public Service Commission properly exercises jurisdiction over the Applicant's Montana operations pursuant to Title 69, Chapter 3, MCA.

3. The rate modifications authorized or contemplated by the Commission herein are just, reasonable and not unjustly discriminatory; Section 69-3-201, MCA.

ORDER

THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. The Mountain States Telephone and Telegraph Company will modify implementation of its Rural Telephone Improvement Program consistent with direction set forth in the Findings of Fact section of this order.

2. The Company will file tariff sheets reflecting new Zone Increment Charges and Zone Construction Charges Immediately upon completion of redesigning exchange maps on the basis of the three zone concept.

3. The first three-way meeting among Commission staff, Consumer Counsel staff and the Company to consider the appropriate tracking methodology is tentatively scheduled for 2:00 p.m., November 17, 1981.

DONE AND DATED this 26th day of October, 1981 by a vote of 5 – 0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION.

GORDON E. BOLLINGER, Chairman

JOHN B. DRISCOLL, Commissioner

HOWARD L. ELLIS, Commissioner

CLYDE JARVIS, Commissioner

THOMAS J. SCHNEIDER, Commissioner

ATTEST:

Madeline L. Cottrill
Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review of the final decision in this matter. If no Motion for Reconsideration is filed, judicial review may be obtained by filing a petition for review within thirty (30) days from the service of this order. If a Motion for Reconsideration is filed, a Commission order is final for purpose of appeal upon the entry of a ruling on that motion, or upon the passage of ten (10) days following the filing of that motion. cf. the Montana Administrative Procedure Act, esp. Sec. 2-4-702, MCA; and Commission Rules of Practice and Procedure, esp. 38.2.4806 ARM.

